

c. Such associate is an EWG that sells electricity at rates based upon its cost of service, as approved by the FERC or any State Public Utility Commission, provided that the purchaser of such electricity is not an associate of GPU; or

d. Such associate is a Subsidiary Company, the sole business of which is developing, owning and/or operating FUCOs or EWGs described in clause 1, 2 or 3 above.

In an order dated June 14, 1995 (HCAR No. 26307), the Commission has previously authorized EII and ESI to provide goods and services to associate EWGs and FUCOs who satisfy one of the requirements in clause a, b, or c above under an exemption from the cost standard. EII and ESI now requests an exemption under section 13(b) of the Act from the requirements of rules 90 and 91 with respect to the rendering of services or sale of goods to Subsidiary Companies that satisfy the requirements of clause d above. GPUSC and the Operating Companies also propose to provide certain services at cost to any Subsidiary Company or Exempt Entity in which GPU owns an interest.

The Order set forth different limits on the interest rates for U.S. dollar-denominated debt of Subsidiary Companies than for non-U.S. dollar-denominated debt. GPU now proposes that the interest rate on indebtedness of a Subsidiary Company or Exempt Entity, with respect to which there is recourse to GPU, whether or not the indebtedness is denominated in U.S. dollars or foreign currency, not exceed that rate of interest which is generally obtainable for indebtedness bearing similar terms, conditions, and features and which is issued by companies of the same or reasonably comparable credit quality.

For the Commission, by the Division of Investment Management, pursuant to delegated authority.

Margaret H. McFarland,
Deputy Secretary.

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BILLING CODE 8010-01-M

[Investment Company Act Release No. 21617; 812-9750]

Spectra Fund, Inc., et al.; Notice of Application

December 21, 1995.

AGENCY: Securities and Exchange Commission ("SEC").

ACTION: Notice of application for exemption under the Investment Company Act of 1940 (the "Act").

APPLICANTS: Spectra Fund, Inc. ("Fund"), Spectra Fund ("Trust"), Fred Alger Management, Inc. ("Adviser"), and Alger Associates, Inc. ("Associates").

RELEVANT ACT SECTIONS: Order requested under section 17(b) for an exemption from sections 17(a)(1) and 17(a)(2).

SUMMARY OF APPLICATION: Applicants seek an order permitting the Fund to convert from a closed-end management investment company organized as a Massachusetts corporation to an open-end management investment company organized as a Massachusetts business trust by transferring all of its assets and liabilities to the Trust in exchange for shares of the Trust.

FILING DATES: The application was filed on September 7, 1995, and amended on December 1, 1995.

HEARING OR NOTIFICATION OF HEARING: An order granting the application will be issued unless the SEC orders a hearing. Interested persons may request a hearing by writing to the SEC's Secretary and serving applicant with a copy of the request, personally or by mail. Hearing requests should be received by the SEC by 5:30 p.m. on January 16, 1996, and should be accompanied by proof of service on applicants, in the form of an affidavit or, for lawyers, a certificate of service. Hearing requests should state the nature of the writer's interest, the reason for the request, and the issues contested. Persons may request notification or a hearing by writing to the SEC's Secretary.

ADDRESSES: Secretary, SEC, 450 Fifth Street NW., Washington, DC 20549. Applicants, 75 Maiden Lane, New York, New York 10038.

FOR FURTHER INFORMATION CONTACT: Courtney S. Thornton, Senior Counsel, at (202) 942-0583, or C. David Messman, Branch Chief, at (202) 942-0564 (Division of Investment Management, Office of Investment Company Regulation).

SUPPLEMENTARY INFORMATION: The following is a summary of the application. The complete application may be obtained for a fee from the SEC's Public Reference Branch.

Applicants' Representations

1. The Fund was organized in 1968 as a Massachusetts corporation, and operated as an open-end management investment company until 1978, when it converted to a closed-end management investment company. The Trust, which has been organized as a Massachusetts business trust, will register as an open-end management investment company

and will have substantially the same investment objectives and policies as the Fund. The Adviser serves as investment adviser to the Fund, and will serve as the investment adviser to the Trust.

2. Associates, the indirect parent of the Adviser, owns 34.4% of the outstanding shares of the Fund. Fred M. Alger, III, chairman of the board of the Fund and the Trust, owns 53.1% of the outstanding voting securities of Associates. His brother, David D. Alger, president and a director of the Fund and president and a trustee of the Trust, owns 17.2% of the outstanding voting securities of Associates.¹

3. Since the Fund's conversion to a closed-end management investment company, its shares generally have traded at a discount of greater than 10% to their net asset value. On May 24, 1995, after considering various means of reducing the discount to net asset value at which Fund shares typically trade, the board of directors of the Fund (the "Board") decided to recommend conversion from closed-end to open-end status, which would give shareholders the right to dispose of Fund shares at such time as they choose at prices based on the net asset value of their shares. The Board also recommended that the Fund convert from a Massachusetts corporation to a Massachusetts business trust in order to reduce its operating expenses by eliminating the need for annual shareholder meetings, with their associated costs.

4. To effect the conversion of the Fund from a closed-end management investment company organized as a Massachusetts corporation to an open-end management investment company organized as a Massachusetts business trust (the "Reorganization"), a majority of the Board (including a majority of directors who are not interested persons of the Fund) approved an agreement and plan of reorganization and liquidation (the "Agreement"). In accordance with the Agreement, the Fund will transfer all of its assets and liabilities to the Trust in a tax-free exchange for shares of beneficial interest of the Trust equal in number and value to the shares of common stock of the Fund then outstanding. Immediately thereafter, the Fund will distribute these shares of the Trust *pro rata* to its shareholders in

¹ Fred Alger is also chairman of the board of Associates and the Adviser. David Alger is president and a director of Associates and the Adviser, and, in addition to his indirect ownership of Fund shares through Alger Associates, directly owns .5% of the shares of the Fund.

complete liquidation of the Fund.² Upon completion of the Reorganization, each former shareholder of the fund will be the owner of full and fractional shares of the Trust equal in number and aggregate net asset value to the shares he or she held in the Fund.

5. In assessing the proposed Reorganization, the Board considered the following factors: (a) The terms and conditions of the Agreement, including the fact that shareholders of the Fund, in effect, will receive shares of a substantially identical Trust in an exchange based on the relative net asset values of such shares; (b) no transaction costs or other charges will be incurred by shareholders of the Fund in connection with their acquisition of Trust shares; and (c) the tax-free nature of the Reorganization.

6. In connection with the proposed Reorganization, shareholders of the Fund were provided with a proxy statement dated August 4, 1995. At a special meeting held on September 28, 1995, shareholders of the Fund voted to amend the Fund's investment management agreement and certain of its fundamental investment policies, and approved the Reorganization.

7. All expenses relating to the Reorganization will be borne by the Fund and, if the Reorganization is consummated, will be assumed by the Trust.

Applicants' Legal Analysis

1. Sections 17(a)(1) and 17(a)(2) of the Act, in relevant part, prohibit an affiliated person of a registered investment company, or any affiliated person of such a person, acting as principal, from selling to or purchasing from such registered company, any security or other property. Section 17(b) provides that the SEC may exempt a transaction from section 17(a) if evidence establishes that the terms of the transaction, including the consideration to be paid or received, are reasonable and fair and do not involve overreaching on the part of any person concerned, that the proposed transaction is consistent with the policies of the investment company concerned and with the general purposes of the Act.

2. Rule 17a-8 generally exempts from the prohibitions of section 17(a) mergers, consolidations, or purchases or sales of substantially all of the assets of registered investment companies that are affiliated persons, or affiliated persons of an affiliated person, solely by

reasons of having a common investment adviser, common directors, and/or common officers, provided that certain conditions are satisfied. Applicants may not rely on rule 17a-8 because, under section 2(a)(3)(D), Fred Alger and David Alger are affiliated persons of the Trust by virtue of their offices. Under section 2(a)(3)(B), the Fund may be an affiliated person of each of Fred Alger and David Alger by virtue of the fact that each may be said indirectly (through Associates) to own at least 5% of the Fund's outstanding shares. In addition, Fred Alger also owns or controls, directly and through trusts of which he is the trustee, 6.7% of the shares of the Fund, so that the Fund may be said to be an affiliated person of him on this basis as well. Accordingly, the Fund may be considered an affiliate person of an affiliated person of the Trust. The Board nonetheless reached the determinations required by rule 17a-8. Specifically, the Board determined that changing from a corporation to a business trust was in the best interest of the Fund, and that the interests of existing shareholders of the Fund would not be diluted as a result of the transaction.

3. Applicants believe that the proposed Reorganization is properly viewed as a mere change in the form of organization rather than as a disposition of property giving rise to section 17(a) concerns. Applicants also submit that the Reorganization satisfies the requirements of section 17(b). The Trust was created specifically for the purpose of effecting the Reorganization, and, prior to the Reorganization, will be simply a shell with nominal assets, no liabilities, and no business operations. The transfer of Fund shares for Trust shares of identical value will leave Fund shareholders with identical ownership positions, and no additional consideration will be paid by the Fund or its shareholders for the Trust shares. Because Fund shareholders will receive interests in the Trust identical to their previous interests in the Fund pursuant to a tax-free transaction, with no transaction costs or other charges imposed on shareholders, no party to the transaction will have the opportunity to influence the actions of the Fund or the Trust to the detriment of shareholders. Accordingly, applicants believe that the terms of the Reorganization, including the consideration to be paid and received, are reasonable and fair and do not involve overreaching on the part of any persons concerned.

For the SEC, by the Division of Investment Management, under delegated authority.

Margaret H. McFarland,

Deputy Secretary.

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BILLING CODE 8010-01-M

DEPARTMENT OF TRANSPORTATION

Office of the Secretary

Applications of Capital Cargo International Airlines, Inc. for Issuance of New Certificate Authority

AGENCY: Department of Transportation.

ACTION: Notice of Order to Show Cause (Order 95-12-29) Dockets OST-95-589 and OST-95-590.

SUMMARY: The Department of Transportation is directing all interested persons to show cause why it should not issue orders (1) finding Capital Cargo International Airlines, Inc., fit, willing, and able, and (2) awarding it certificates to engage in foreign charter air transportation of property and mail and interstate all-cargo air transportation.

DATES: Persons wishing to file objections should do so no later than January 2, 1996.

ADDRESSES: Objections and answers to objections should be filed in Dockets OST-95-589 and OST-95-590 and addressed to the Documentary Services Division (C-55, Room PL-401), U.S. Department of Transportation, 400 Seventh Street, SW, Washington, D.C. 20590 and should be served upon the parties listed in Attachment A to the order.

FOR FURTHER INFORMATION CONTACT: Ms. Janet A. Davis, Air Carrier Fitness Division (X-56, Room 6401), U.S. Department of Transportation, 400 Seventh Street, SW, Washington, D.C. 20590, (202) 366-9721.

Dated: December 20, 1995

Mark L. Gerchick,

Acting Assistant Secretary for Aviation and International Affairs.

[FR Doc. 95-31377 Filed 12-27-95; 8:45 am]

BILLING CODE 4910-62-P

Coast Guard

[CGD 95-087]

National Boating Safety Activities: Funding for National Nonprofit Public Service Organizations

AGENCY: Coast Guard, DOT.

ACTION: Notice of availability.

²The Fund is currently the sole shareholder of the Trust, but will redeem its Trust shares prior to the Reorganization.